

SUBSTANCE ABUSE SERVICES CENTER  
FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
AND  
INDEPENDENT AUDITOR'S REPORTS

SUBSTANCE ABUSE SERVICES CENTER  
JUNE 30, 2014 AND 2013

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SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Avenarius	President	June 2014
Steve Eastvedt	Vice-President	June 2015
Jack Young	Secretary	June 2014
Leo Hickie III	Treasurer	June 2014
Clifford Bunting	Member	June 2014
Lou Fuller	Member	June 2014
Gregory Egan	Member	June 2015
Dorothy Schlueter	Member	June 2014
Traci Suarez	Member	June 2014
Sue Davison	At-Large	June 2016
Valerie Bell	At-Large	June 2016
Diane Thomas	Executive Director	Indefinite

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*Certified Public Accountants*

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## Independent Auditor's Report

To the Board of Directors  
Substance Abuse Services Center

### Report on the Financial Statements

We have audited the accompanying Statements of Financial Position of Substance Abuse Services Center (a nonprofit organization), as of June 30, 2014 and 2013, and the related Statements of Activities, Functional Expenses and Cash Flows and the Notes to Financial Statements for the years then ended.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the

risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Substance Abuse Services Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Substance Abuse Services Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center as of June 30, 2014 and 2013, and the changes in its net assets and, where applicable, cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2014 on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Substance Abuse Services Center's internal control over financial reporting and compliance.

JIM KIRCHER & ASSOCIATES, P.C.

*Jim Kircher & Associates, P.C.*

Dubuque, Iowa  
September 12, 2014

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

Assets	2014	2013
Current Assets:		
Cash	\$ 1,092,689	\$ 698,297
Certificate of Deposit	-0-	101,967
Accounts receivable, less allowance for doubtful accounts - 2014 \$25,687 and 2013 \$11,696	90,458	37,176
Grants receivable	103,222	69,885
Prepaid expenses	38,924	37,145
Total Current Assets	<u>\$ 1,325,293</u>	<u>\$ 944,470</u>
Property and Equipment:		
Leasehold improvements	\$ 319,050	\$ 319,050
Office furniture and equipment	146,856	155,207
Accumulated depreciation and amortization	(226,224)	(208,000)
Net Property and Equipment	<u>\$ 239,682</u>	<u>\$ 266,257</u>
Total Assets	<u><u>\$ 1,564,975</u></u>	<u><u>\$ 1,210,727</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 18,302	\$ 17,414
Accrued salaries	11,379	8,435
Compensated absences	42,235	43,662
Total Current Liabilities	<u>\$ 71,916</u>	<u>\$ 69,511</u>
Net Assets:		
Net Assets - Undesignated	\$ 1,350,159	\$ 1,000,781
Net Assets - Board Designated for Suta Claims	42,900	40,435
Net Assets - Board Designated for an electronic health record	100,000	100,000
Total Net Assets	<u>\$ 1,493,059</u>	<u>\$ 1,141,216</u>
Total Liabilities and Net Assets	<u><u>\$ 1,564,975</u></u>	<u><u>\$ 1,210,727</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>PUBLIC SUPPORT AND REVENUE</u>		
<u>Public Support:</u>		
Iowa Department of Public Health:		
Managed Care -State Funds	\$ 518,981	\$ 511,202
Managed Care-Federal Funds	286,409	233,991
Access To Recovery	83,742	81,869
United Way	29,347	29,337
Cities	400	250
Schools	15,000	15,884
Drug court	45,000	36,892
Gambling Grants	431,795	396,138
OWI III Contract	-0-	22,200
Dubuque Racing Association Grant	-0-	7,685
U.S. Probation Office - Probation Service	5,250	5,416
Total Public Support	<u>\$ 1,415,924</u>	<u>\$ 1,340,864</u>
<u>Revenue:</u>		
Client Fees	\$ 204,108	\$ 210,672
Third Party Pay	620,425	328,077
Interest on Investments	2,149	3,116
Miscellaneous	3,611	22,148
Total Revenue	<u>\$ 830,293</u>	<u>\$ 564,013</u>
Total Public Support and Revenue	<u>\$ 2,246,217</u>	<u>\$ 1,904,877</u>
<u>EXPENSES</u>		
Program Services	\$ 1,630,808	\$ 1,596,795
Support Services	263,566	260,968
Total Expenses	<u>\$ 1,894,374</u>	<u>\$ 1,857,763</u>
Change in Net Assets	\$ 351,843	\$ 47,114
Net Assets Beginning of Year	1,141,216	1,094,102
Net Assets End of Year	<u><u>\$ 1,493,059</u></u>	<u><u>\$ 1,141,216</u></u>

See accompanying notes to financial statements.



SUBSTANCE ABUSE SERVICES CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services			Linn/Clinton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 767,343	\$ 117,536	\$ 22,401	\$ 121,174	\$ 1,028,454	\$ 133,286	\$ 1,161,740
Benefits & taxes	199,981	22,345	2,940	23,509	248,775	29,280	278,055
Total Salaries & Related Expenses	\$ 967,324	\$ 139,881	\$ 25,341	\$ 144,683	\$ 1,277,229	\$ 162,566	\$ 1,439,795
Rent	85,347	10,305	1,603	13,990	111,245	10,027	121,272
Supplies & printing	22,461	1,161	226	1,503	25,351	2,917	28,268
Insurance	6,451	863	177	1,012	8,503	797	9,300
Postage	2,107	251	33	387	2,778	249	3,027
Dues & subscriptions	715	81	25	97	918	7,806	8,724
Business travel	4,184	10,385	445	4,068	19,082	6,987	26,069
Conferences & travel	9,828	1,764	87	1,732	13,411	3,492	16,903
Contract services	49,500	4,068	521	5,054	59,143	16,474	75,617
Telephone & Internet	13,962	2,224	169	5,781	22,136	1,904	24,040
Advertising & promotion	1,212	3,464	14	4,306	8,996	211	9,207
Small equipment & repair	5,003	1,052	49	2,435	8,539	1,753	10,292
Bad debts	3,988	-0-	-0-	-0-	3,988	-0-	3,988
Utilities	2,968	329	47	159	3,503	301	3,804
Access to Recovery expenses	35,257	9,544	-0-	3,214	48,015	-0-	48,015
Depreciation	-0-	-0-	-0-	-0-	-0-	34,268	34,268
Miscellaneous	15,831	848	314	978	17,971	13,814	31,785
Total Expenses	<u>\$ 1,226,138</u>	<u>\$ 186,220</u>	<u>\$ 29,051</u>	<u>\$ 189,399</u>	<u>\$ 1,630,808</u>	<u>\$ 263,566</u>	<u>\$ 1,894,374</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services			Linn/Clinton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 728,207	\$ 122,458	\$ 20,062	\$ 117,607	\$ 988,334	\$ 124,909	\$ 1,113,243
Benefits & taxes	185,195	27,767	3,518	22,811	239,291	25,733	265,024
Total Salaries & Related Expenses	\$ 913,402	\$ 150,225	\$ 23,580	\$ 140,418	\$ 1,227,625	\$ 150,642	\$ 1,378,267
Rent	83,870	12,920	801	13,513	111,104	10,586	121,690
Supplies & printing	24,642	5,185	81	1,922	31,830	3,176	35,006
Insurance	6,545	999	91	890	8,525	640	9,165
Postage	1,420	230	14	242	1,906	177	2,083
Dues & subscriptions	108	-0-	-0-	-0-	108	4,546	4,654
Business travel	3,597	9,390	414	4,297	17,698	6,907	24,605
Conferences & travel	7,385	6,529	233	1,763	15,910	1,167	17,077
Contract services	46,203	5,664	351	5,679	57,897	16,840	74,737
Telephone & Internet	12,720	2,822	110	5,248	20,900	2,116	23,016
Advertising & promotion	1,944	8,003	8	3,294	13,249	98	13,347
Small equipment & repair	3,474	465	30	2,391	6,360	1,155	7,515
Bad debts	3,430	3	-0-	-0-	3,433	-0-	3,433
Utilities	2,066	318	24	321	2,729	244	2,973
Access to Recovery expenses	40,201	6,132	-0-	8,012	54,345	-0-	54,345
Depreciation	-0-	-0-	-0-	-0-	-0-	38,302	38,302
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	19,996	1,032	157	1,991	23,176	24,372	47,548
Total Expenses	<u>\$ 1,171,003</u>	<u>\$ 209,917</u>	<u>\$ 25,894</u>	<u>\$ 189,981</u>	<u>\$ 1,596,795</u>	<u>\$ 260,968</u>	<u>\$ 1,857,763</u>

See accompanying notes to financial statements.

# SUBSTANCE ABUSE SERVICES CENTER

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Cash received from patient fees	\$ 771,251	\$ 524,053
Cash received from grants	1,382,587	1,397,095
Cash received from others	3,611	26,085
Interest received	2,149	1,508
Cash paid to employees and suppliers	<u>(1,859,442)</u>	<u>(1,833,654)</u>
Net Cash Provided By Operating Activities	\$ 300,156	\$ 115,087
Cash Flows From Investing Activities:		
Redemption (Purchase) of Certificate of Deposit	\$ 101,967	\$ -0-
Purchase of leasehold improvements	-0-	-0-
Purchase of property and equipment	(7,731)	(7,749)
Proceeds on sale of equipment	<u>-0-</u>	<u>3,000</u>
Net Cash Provided (Used) From Investing Activities	\$ 94,236	\$ (4,749)
Net Increase (Decrease) in Cash and Equivalents	\$ 394,392	\$ 110,338
Cash and Equivalents at Beginning of Year	<u>698,297</u>	<u>587,959</u>
Cash and Equivalents at End of Year	<u>\$ 1,092,689</u>	<u>\$ 698,297</u>

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013  
(CONTINUED)

Reconciliation of Changes in Net Assets to Net Cash  
from Operating Activities

	2014	2013
Changes in Net Assets	\$ 351,843	\$ 47,114
Adjustments:		
Depreciation	\$ 34,268	\$ 38,302
Interest income reinvested	-0-	(1,608)
Loss on disposition of equipment	38	3,937
Changes in Assets and Liabilities:		
(Increase)Decrease in patient accounts receivable	(53,282)	(14,696)
(Increase) Decrease in grants receivable	(33,337)	56,231
(Increase) Decrease in prepaid expenses	(1,779)	2,236
Increase (Decrease) in accounts payable	888	(18,034)
Increase (Decrease) in accrued salaries	2,944	(412)
Increase (Decrease) in accrued expenses	(1,427)	2,017
Net Adjustments	\$ (51,687)	\$ 67,973
Net cash Provided By Operating Activities	<u>\$ 300,156</u>	<u>\$ 115,087</u>
Non Cash Investing and Financing Activities:		
Interest earned added directly to Certificates of Deposit	\$ -0-	\$ 1,608

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

(1) Summary of Significant Accounting Policies

The accounting and financial reporting policies of Substance Abuse Services Center conform with U.S. generally accepted accounting principles. The following is a description of significant accounting policies.

Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide quality counseling, education, and support services to address alcohol, drug, and gambling concerns while promoting physical and mental wellness.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Substance Abuse Services Center considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2014 and 2013.

Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on the average historical uncollected balance.

Allowance for Doubtful Accounts

An allowance for third party and client receivables is estimated based on the 5 year actual write-off percentage of recorded revenues. The total allowance for June 30, 2014 and 2013 was \$25,687 and \$11,696 respectively.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of 3-15 years.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2014 and 2013 was \$5,062 and \$5,331 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

# SUBSTANCE ABUSE SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013 (CONTINUED)

### (2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Leasehold Improvements	\$ 319,050	\$ -0-	\$ -0-	\$ 319,050
Office Equipment	155,207	7,731	16,082	146,856
Total	<u>\$ 474,257</u>	<u>\$ 7,731</u>	<u>\$ 16,082</u>	<u>\$ 465,906</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$34,268 and \$38,302 respectively.

### (3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$25,431 and \$22,031 relating to the matching of employee contributions for the years ended June 30, 2014 and 2013 respectively.

### (4) Lease Agreements

Substance Abuse Services Center entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease was for five years commencing on July 1, 2009 and ending on June 30, 2014. There was an addendum to the lease for an additional 1,600 square feet of office space effective on July 1, 2009 and ending on June 30, 2014. The monthly lease payment for these two parcels was \$6,577.34.

Substance Abuse Services Center agreed to an addendum to the original lease with Banner Investments for the rental of 339 square feet of office space and 1,152 square feet of storage space. The lease was for five years commencing on July 1, 2009 and ending on June 30, 2014. The monthly lease payments are \$166.68 and \$192.00 respectively. All leases have 3 five year renewal options with rent increases of 5% at each renewal period.

The lease arrangements as stated above were extended in January, 2014 and will have a lease term beginning July 1, 2014 and ending June 30, 2019. The total monthly lease payment will be \$7,282.81 or \$87,393.72 yearly.



# SUBSTANCE ABUSE SERVICES CENTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014 AND 2013 (CONTINUED)

### (4) Lease Agreements (Continued)

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Keokuk, Iowa for the rental of office space in Manchester. The lease was negotiated for five years commencing September 1, 2011 and ending August 31, 2016 with a monthly lease payment of \$1,968.24. The lease has a five-year renewal option with rent increases based on the consumer price index not to exceed 12%. Substance Abuse Services Center shall also reimburse the lessor for 26.4% of the utilities.

Substance Abuse Services Center entered into a lease agreement with BRB Investments for 1,175 sq. ft. of office space in Cedar Rapids, Iowa. The lease term is for thirteen (13) months from June 1, 2013 through June 30, 2014. The monthly lease payment is \$1,175. This lease has been renewed for another year at the same price.

Rental expense for the years ended June 30, 2014 and 2013 was \$121,272 and \$121,690 respectively.

A summary of minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Manchester</u>	<u>Dubuque</u>	<u>Cedar Rapids</u>	<u>Total</u>
2015	23,619	87,394	14,100	125,113
2016	23,619	87,394	-0-	111,013
2017	3,937	87,394	-0-	91,331
2018	-0-	87,394	-0-	87,394
2019	-0-	87,394	-0-	87,394
	<u>\$ 51,175</u>	<u>\$436,970</u>	<u>\$ 14,100</u>	<u>\$ 502,245</u>

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(CONTINUED)

(5) Grants Receivable

Grants Receivable at June 30, 2014 and 2013 are composed of the following:

	<u>2014</u>	<u>2013</u>
Iowa Department of Correctional Services	\$ -0-	\$ 3,700
Iowa Department of Correction Services - Drug Court	-0-	5,876
United States Probation Office	350	450
Iowa Department of Public Health - Gambling Treatment N.E. Iowa	40,119	21,386
Iowa Department of Public Health - Access to Recovery	15,081	7,002
Iowa Department of Public Health - Gambling Treatment - Linn Co.	37,862	25,983
Dubuque United Way	-0-	5,488
Magellan Health Services	9,810	-0-
	<u>\$ 103,222</u>	<u>\$ 69,885</u>

(6) Board Designated Net Assets

Board Designated net assets at June 30, 2014 and 2013 include the following:

	<u>2013</u>	<u>2012</u>
A) SUTA Claims Account	\$ 42,900	\$ 40,435
B) An Electronic Health Record Reserve	<u>\$ 100,000</u>	<u>\$ 100,000</u>

(7) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013  
(CONTINUED)

(8) Economic Dependence

The Center has entered into a contract agreement for managed care services with Magellan Behavioral Health, Inc. Managed care revenue represents 35.89% and 39.28% of total revenue for the years ended June 30, 2014 and 2013 respectively.

(9) Subsequent Events

Subsequent events have been evaluated through September 12, 2014 which is the date the financial statements were available to be issued.

SUBSTANCE ABUSE SERVICES CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

Schedule I

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
United States Probation Office Probation Services Contract	BPA 0862- 1333	N/A	<u>\$ 5,300</u>
Indirect:			
United States Department of Health and Human Services:			
Iowa Department of Public Health:			
Division of Substance Abuse:			
Magellan Behavioral Health, Inc.			
Alcohol and Drug Abuse and			
Mental Health Block Grant -			
Managed Care		93959	\$ 286,409
Division of Behavioral Health		93275	<u>75,664</u>
Total Indirect			<u>\$ 362,073</u>
Total			<u><u>\$ 367,373</u></u>

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Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Trustees  
Substance Abuse Services Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Substance Abuse Services Center, Dubuque, Iowa, (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Substance Abuse Services Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Substance Abuse Services Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all

deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Substance Abuse Services Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JIM KIRCHER & ASSOCIATES, P.C.

A handwritten signature in dark ink that reads "Jim Kircher & Associates, P.C." in a cursive, flowing script.

Dubuque, Iowa  
September 12, 2014